

**CONFIDENTIAL (FR) CLASS II-FOMC**

*Material for  
Staff Presentation to the  
Federal Open Market Committee*

*July 11, 1979*

## **PRINCIPAL ASSUMPTIONS**

### **MONETARY POLICY**

- Growth of M-1 averages 6 percent (without ATS) in 1979 and 1980
- Interest rates move lower into early 1980 and rise over balance of forecast

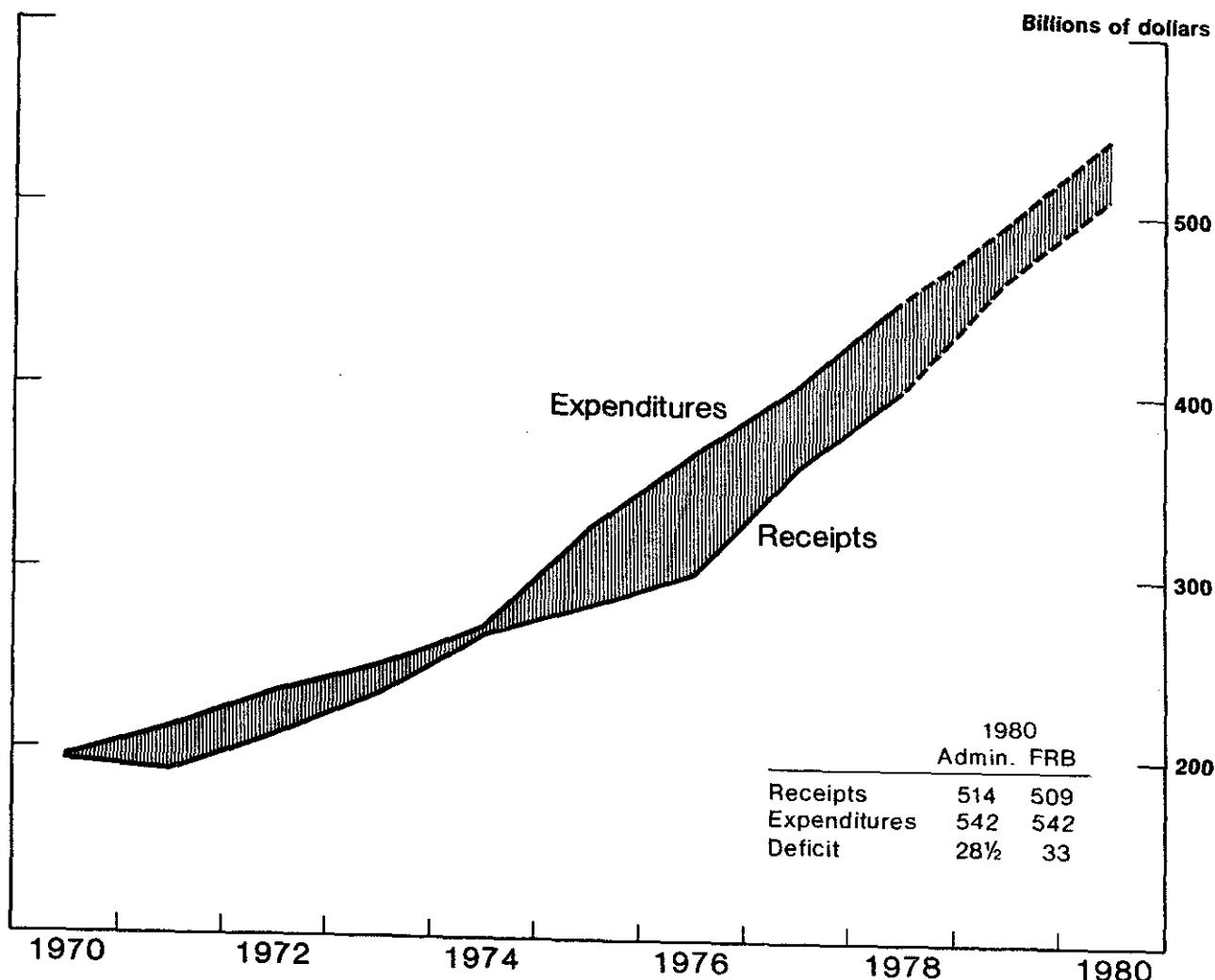
### **FISCAL POLICY**

- Unified budget expenditures of \$494 billion in FY 1979
- Unified budget expenditures of \$542 billion in FY 1980

### **OIL PRICES**

- OPEC average price of about \$21.00 per barrel effective Mid-1979; price increases in 1980 amounting to about \$2.00 per barrel

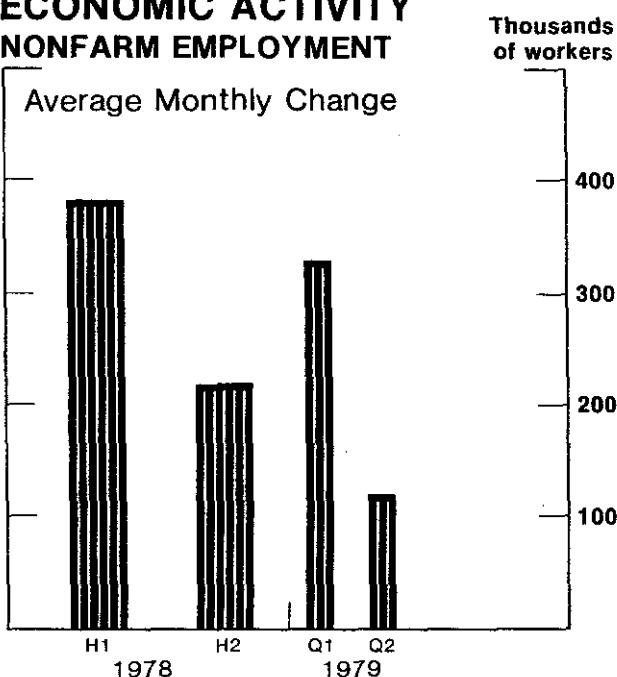
## FEDERAL BUDGET \*



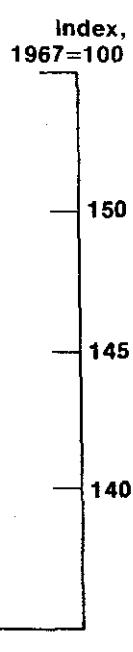
\*Fiscal years

## ECONOMIC ACTIVITY NONFARM EMPLOYMENT

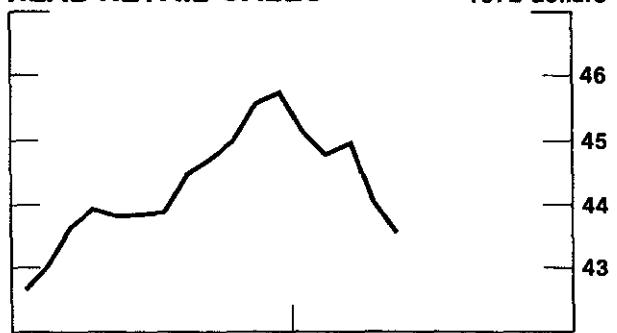
Average Monthly Change



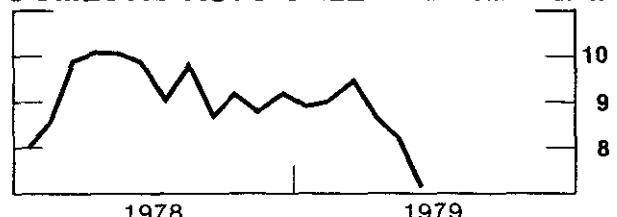
## INDUSTRIAL PRODUCTION



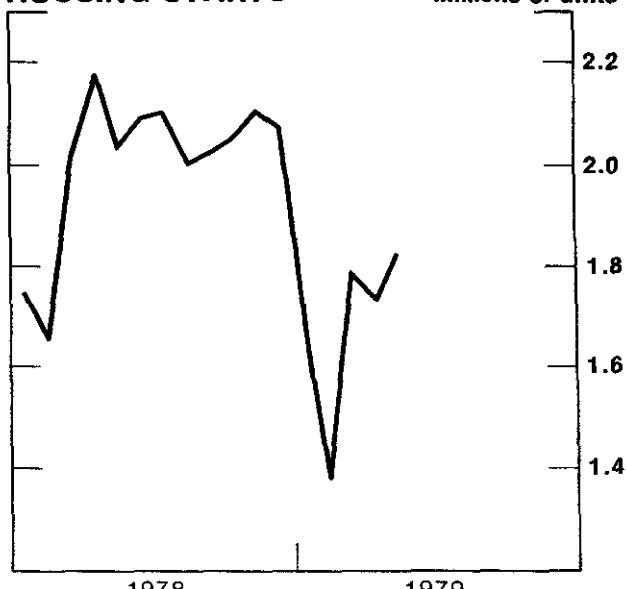
## REAL RETAIL SALES



## DOMESTIC AUTO SALES



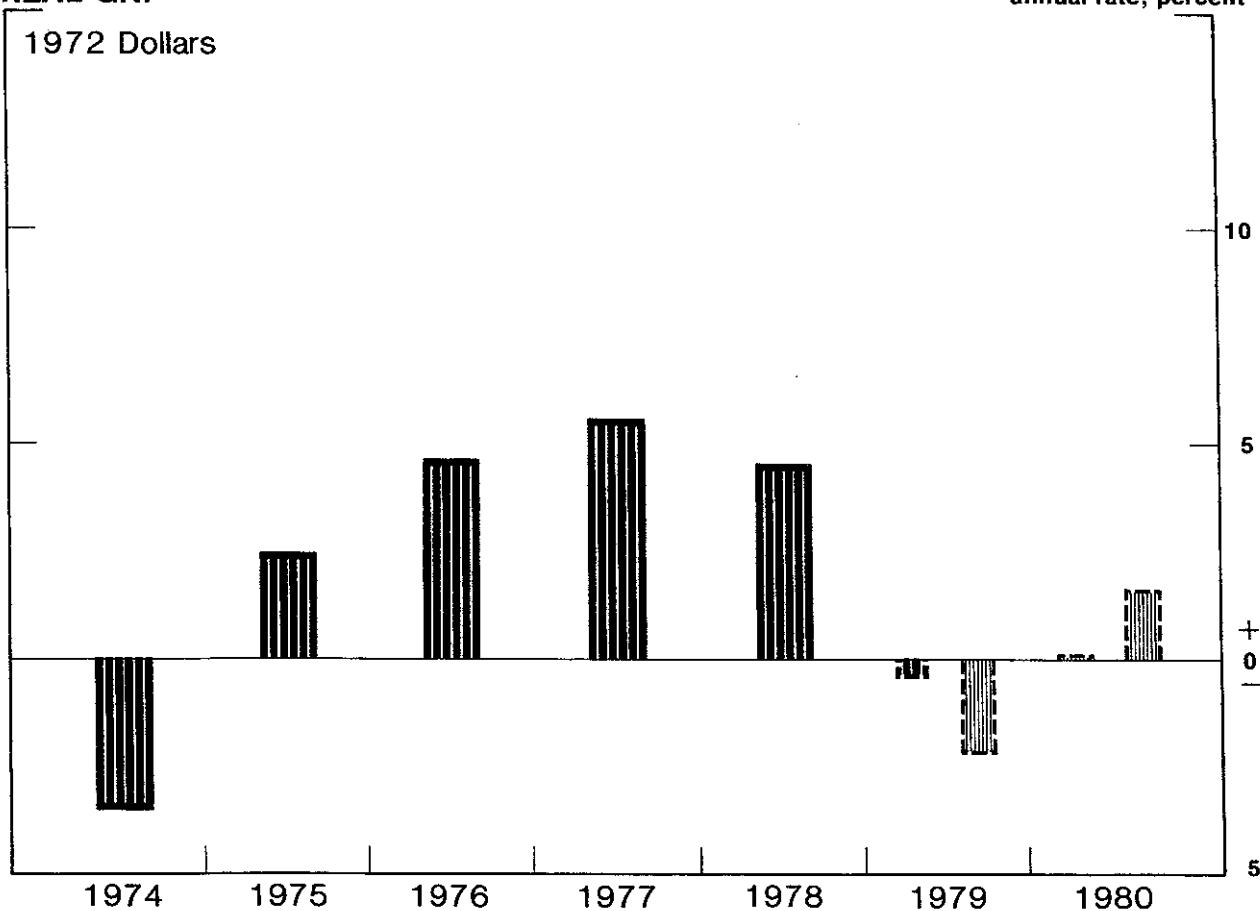
## HOUSING STARTS

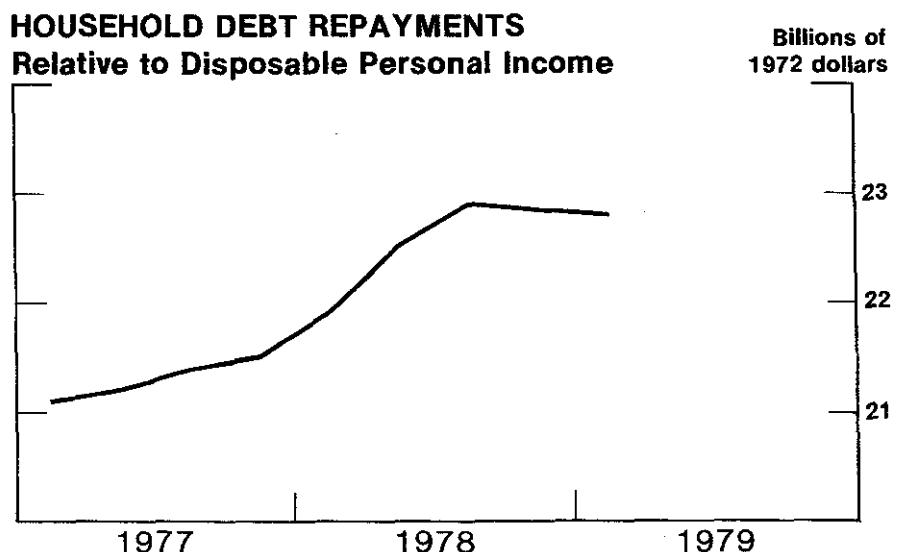
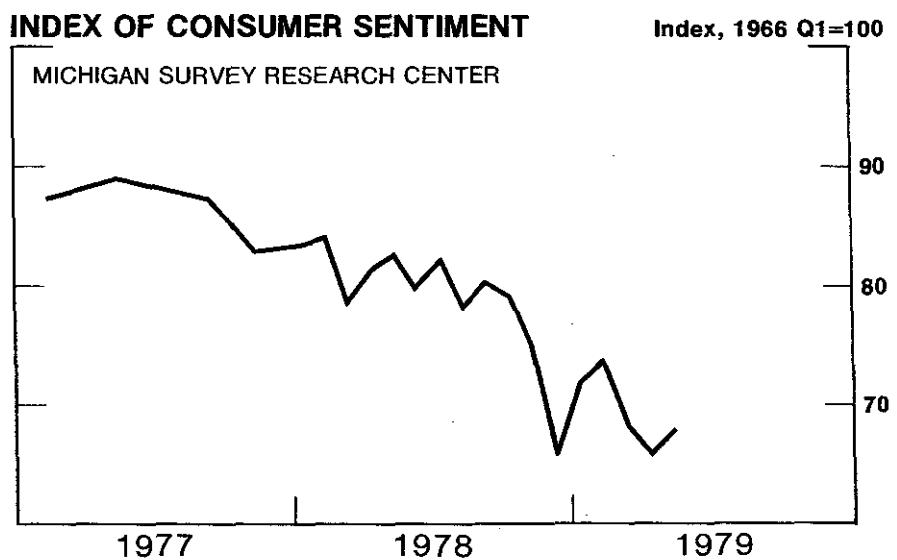
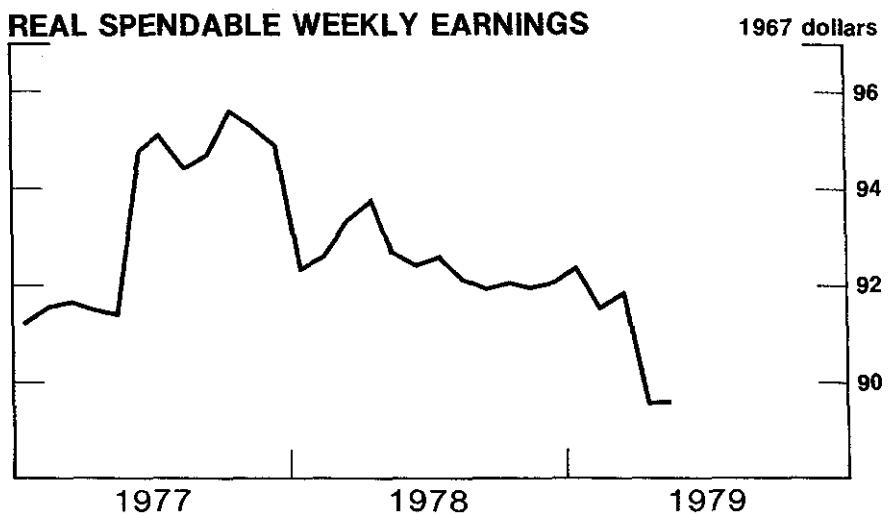


**REAL GNP**

1972 Dollars

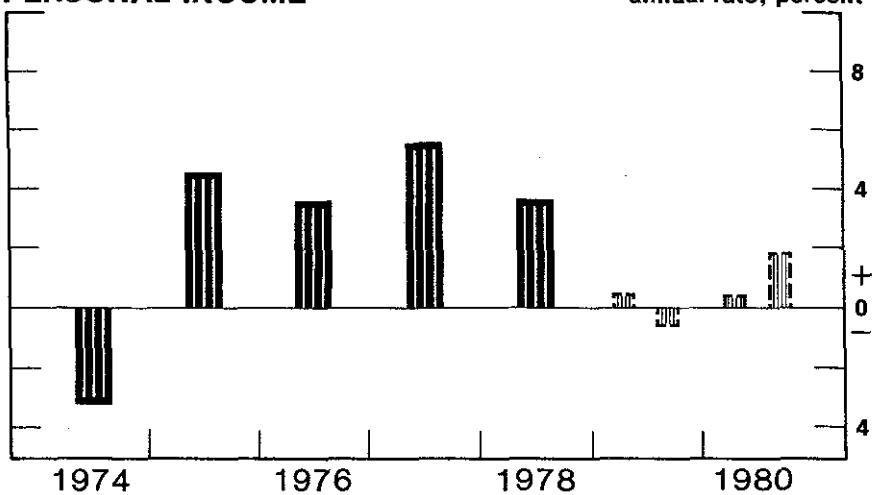
Change from previous period,  
annual rate, percent





**REAL DISPOSABLE PERSONAL INCOME**

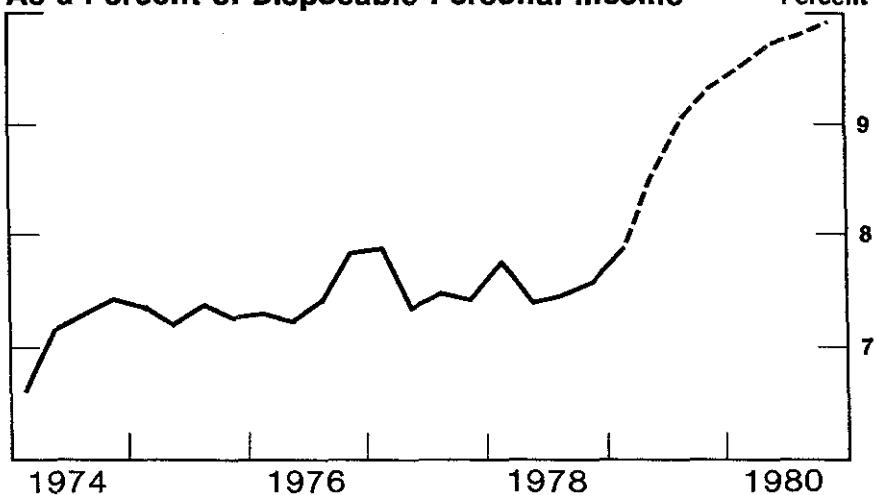
Change from previous period,  
annual rate, percent



**CONSUMER ENERGY OUTLAYS**

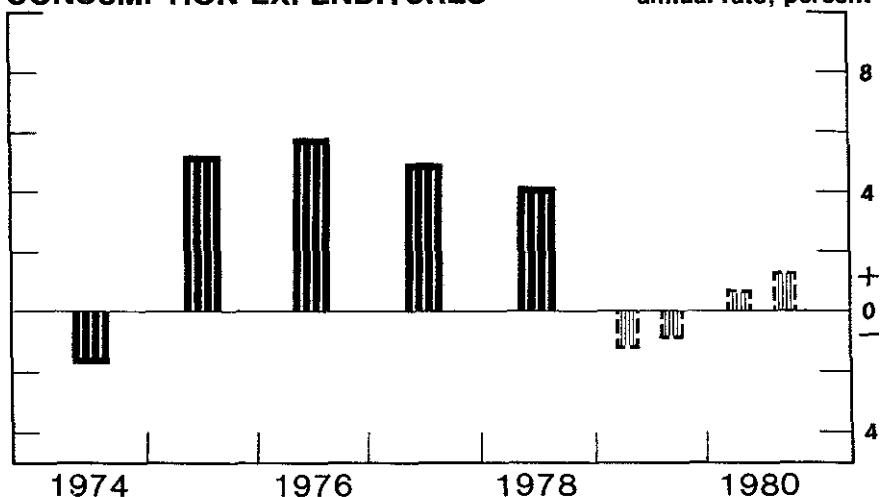
**As a Percent of Disposable Personal Income**

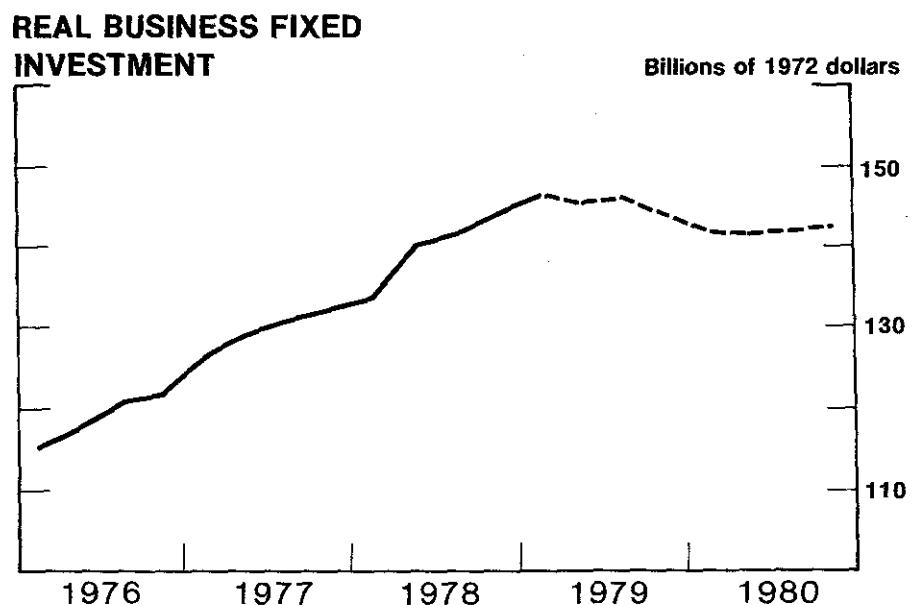
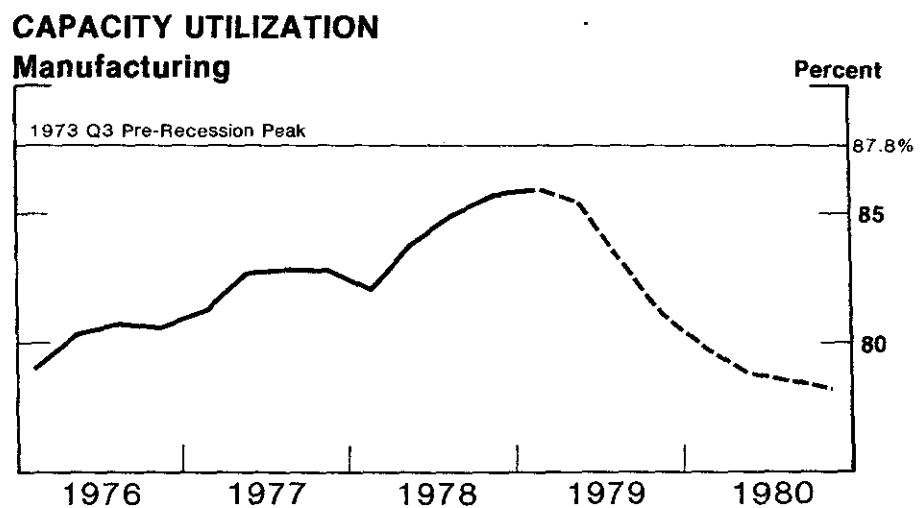
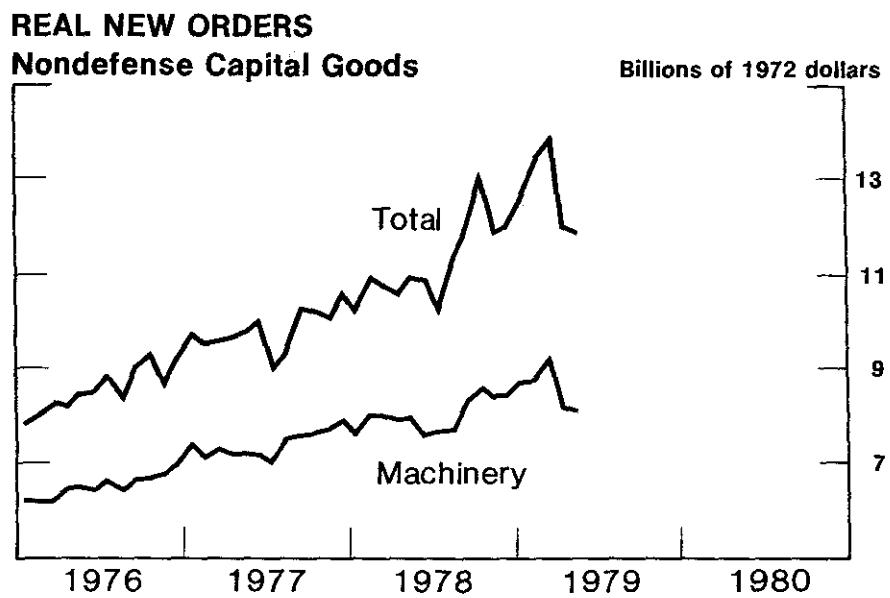
Percent



**REAL PERSONAL CONSUMPTION EXPENDITURES**

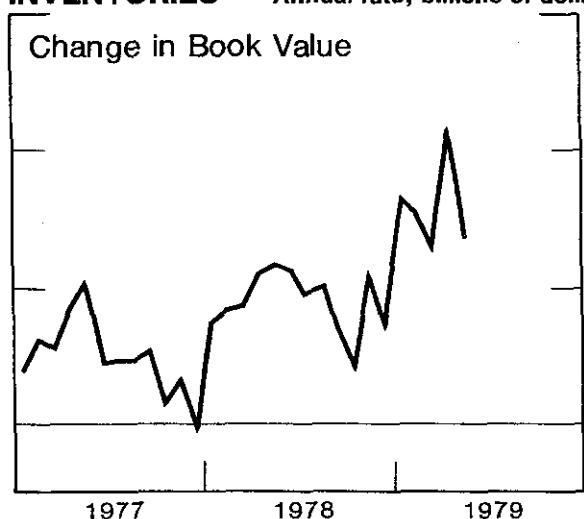
Change from previous period,  
annual rate, percent



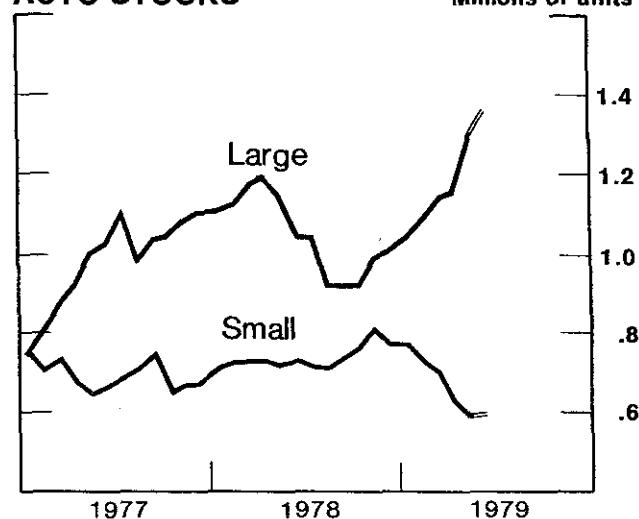


**MANUFACTURES'****INVENTORIES**

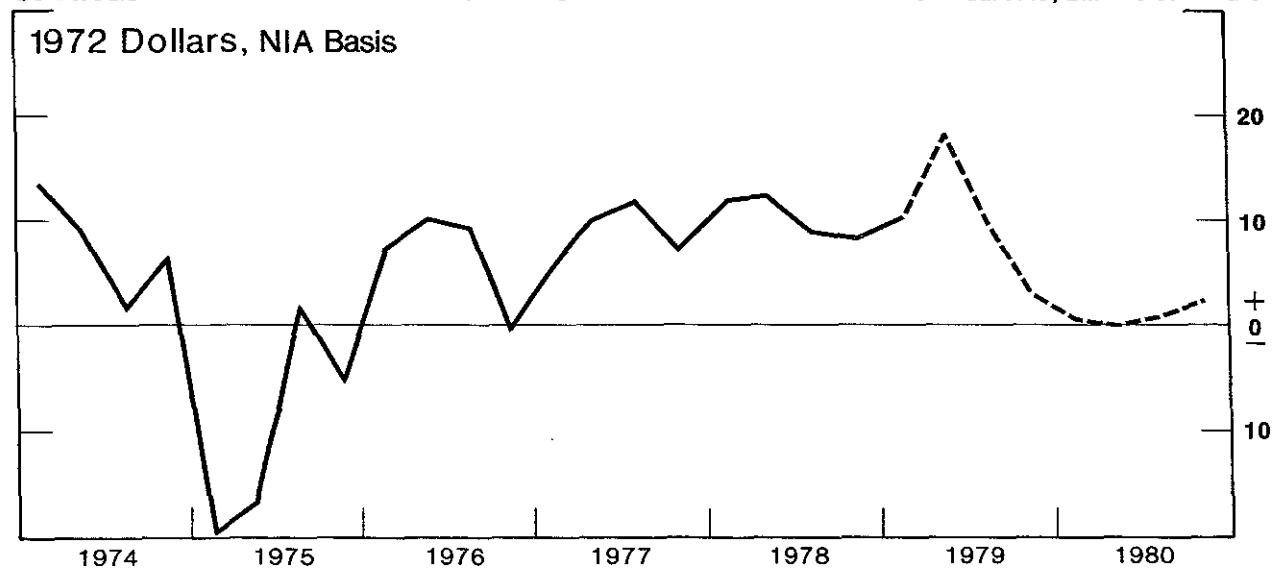
Annual rate, billions of dollars

**AUTO STOCKS**

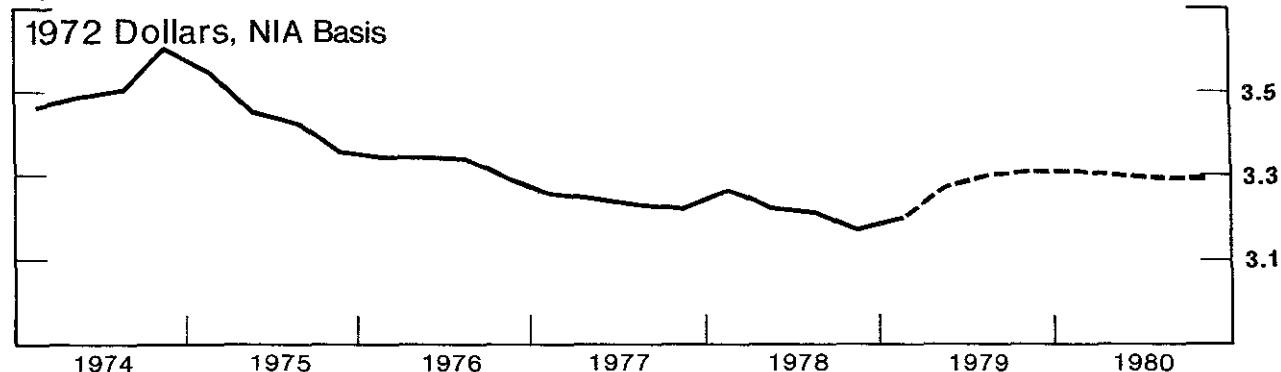
Millions of units

**CHANGE IN BUSINESS INVENTORIES**

Annual rate, billions of dollars

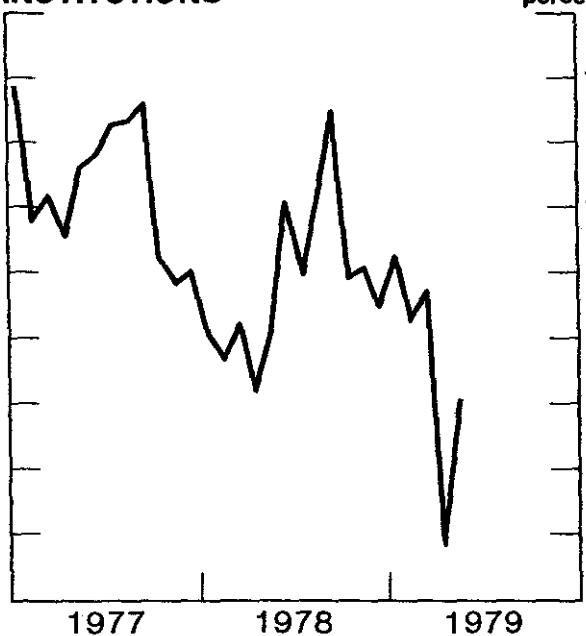
**BUSINESS INVENTORIES RELATIVE TO SALES**

Ratio



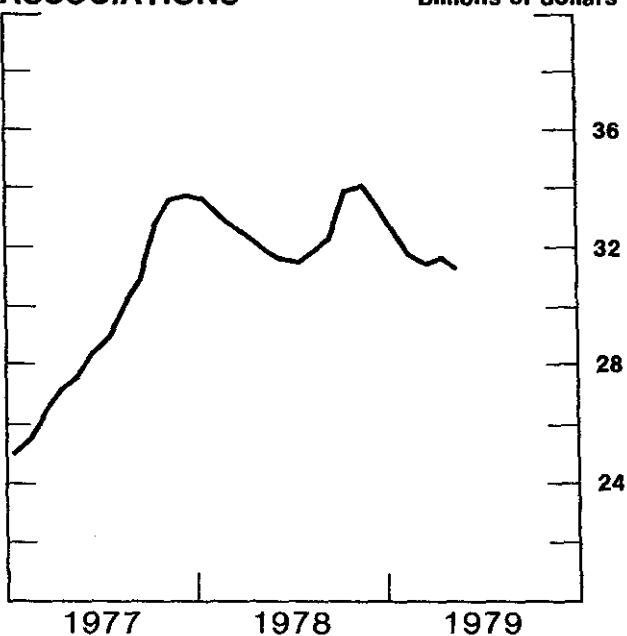
### DEPOSIT GROWTH AT THRIFT INSTITUTIONS

Change from previous  
period, annual rate,  
percent



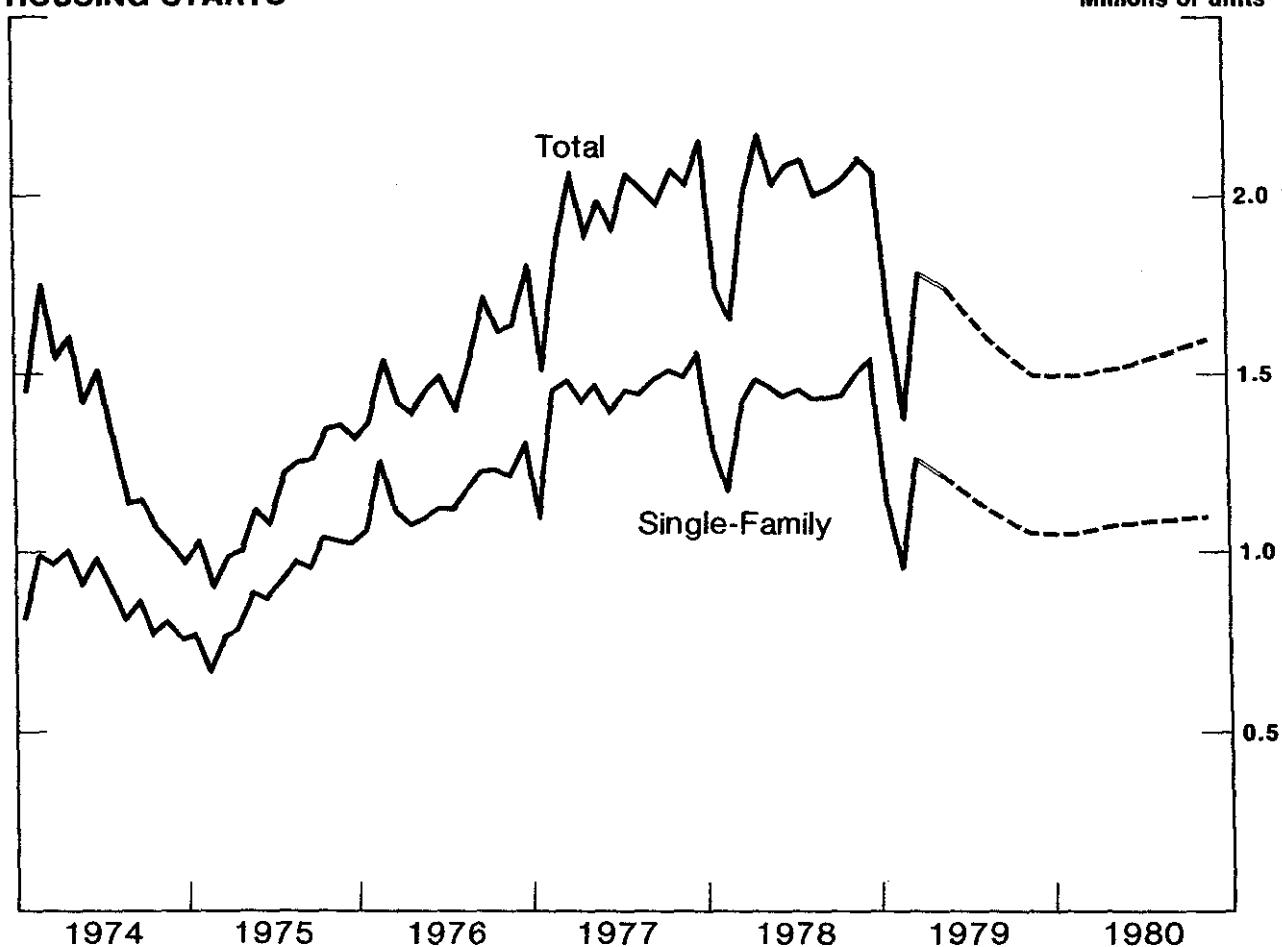
### OUTSTANDING COMMITMENTS AT SAVINGS AND LOAN ASSOCIATIONS

Billions of dollars



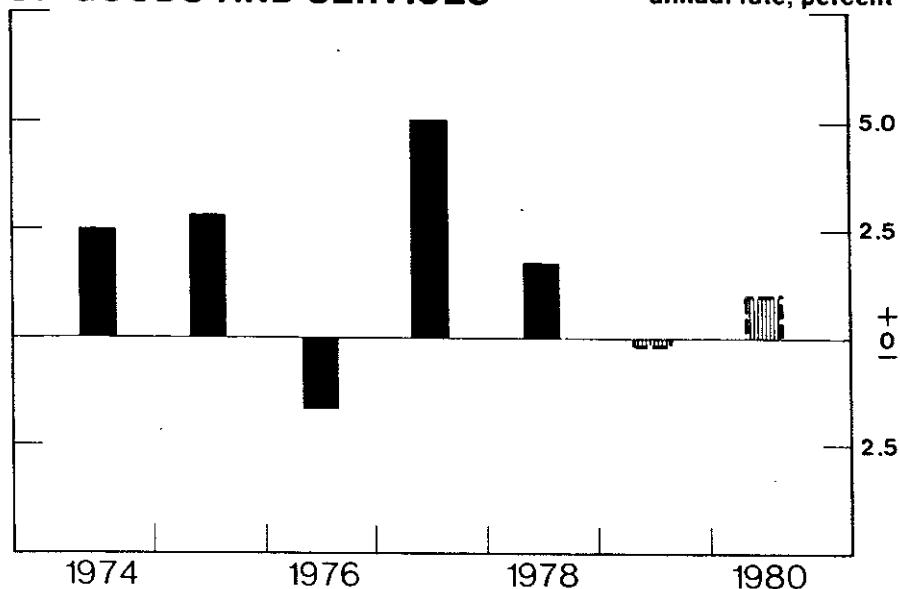
### HOUSING STARTS

Millions of units



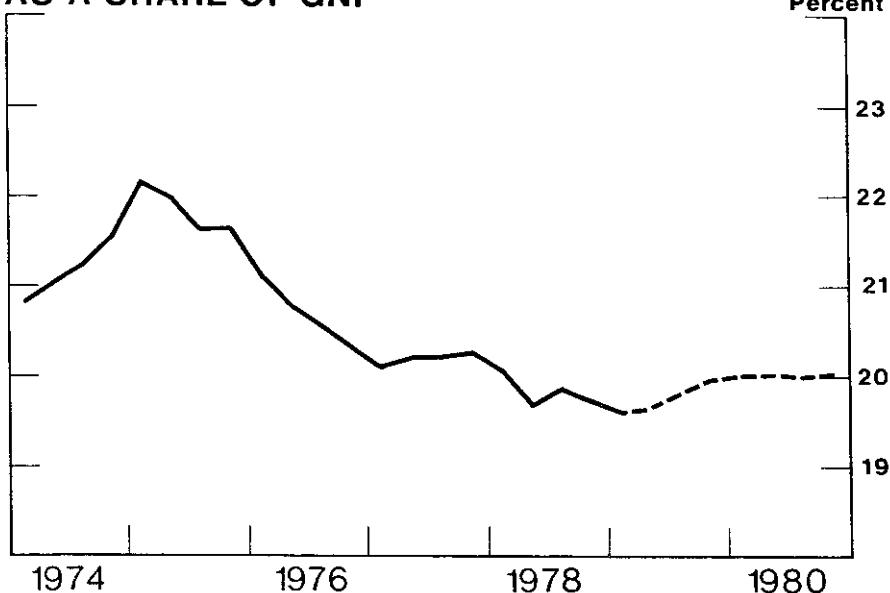
**REAL GOV'T.\* PURCHASES  
OF GOODS AND SERVICES**

Change from previous periods  
annual rate, percent



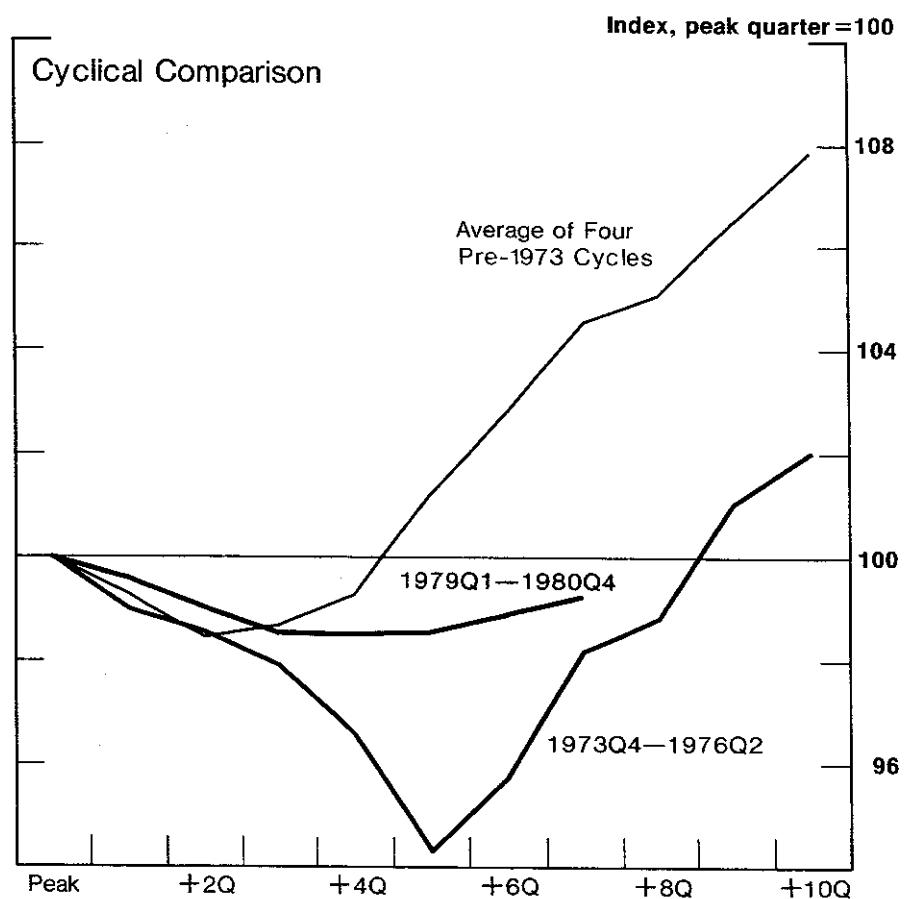
**REAL GOV'T.\* PURCHASES  
AS A SHARE OF GNP**

Percent



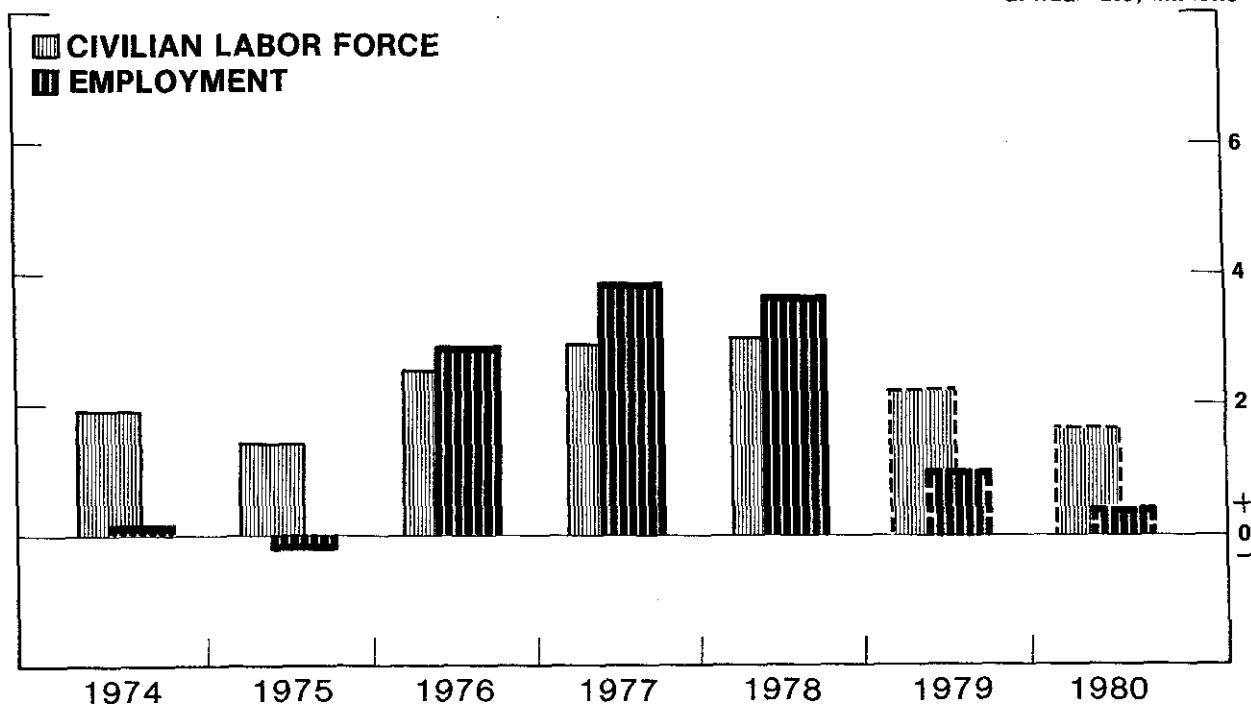
\* Federal and State and Local

## REAL GNP



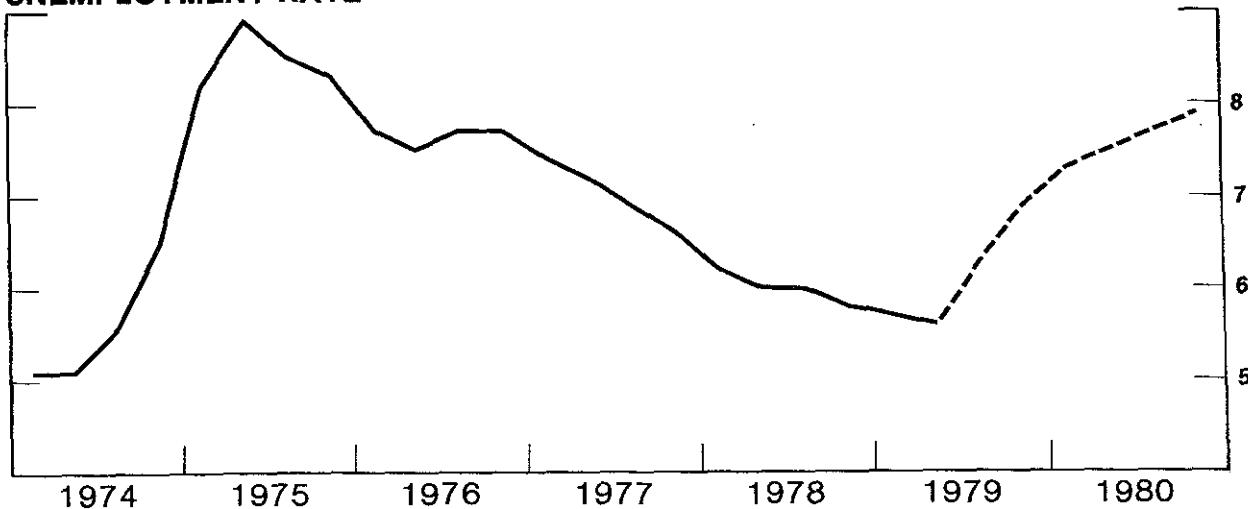
## LABOR MARKET

Change from previous period,  
annual rate, millions



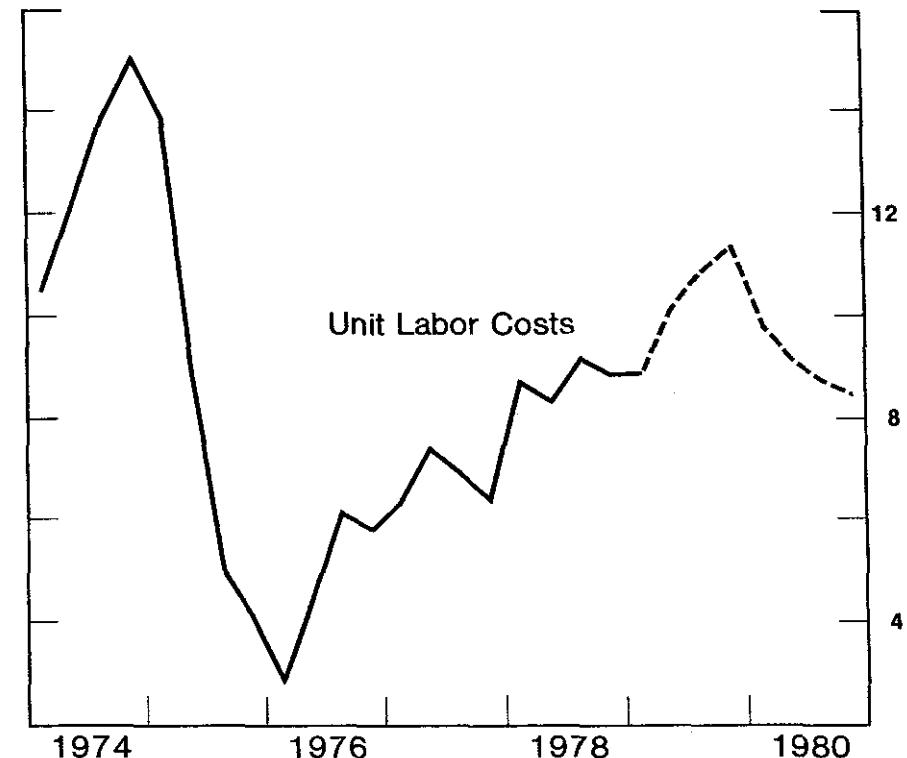
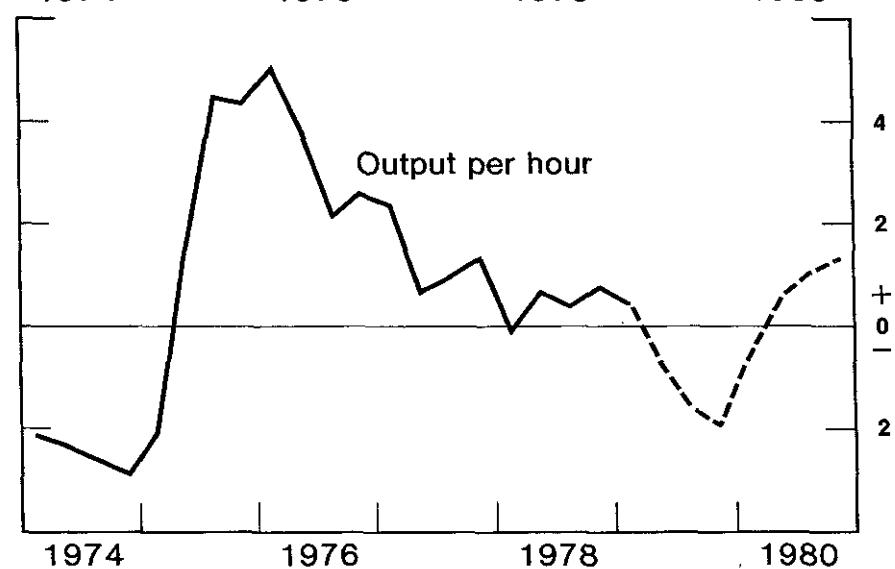
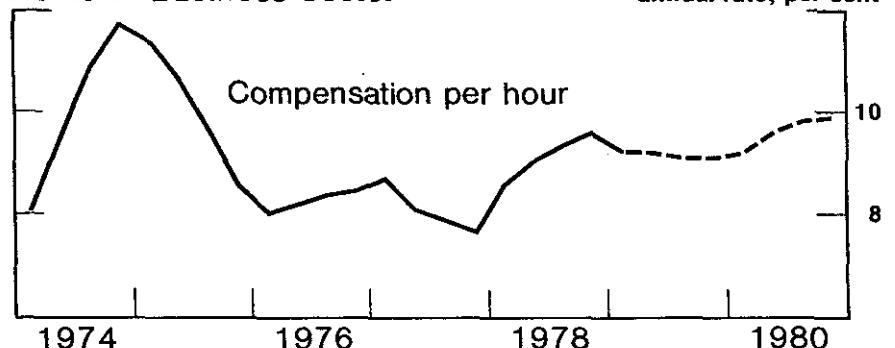
## UNEMPLOYMENT RATE

Per cent

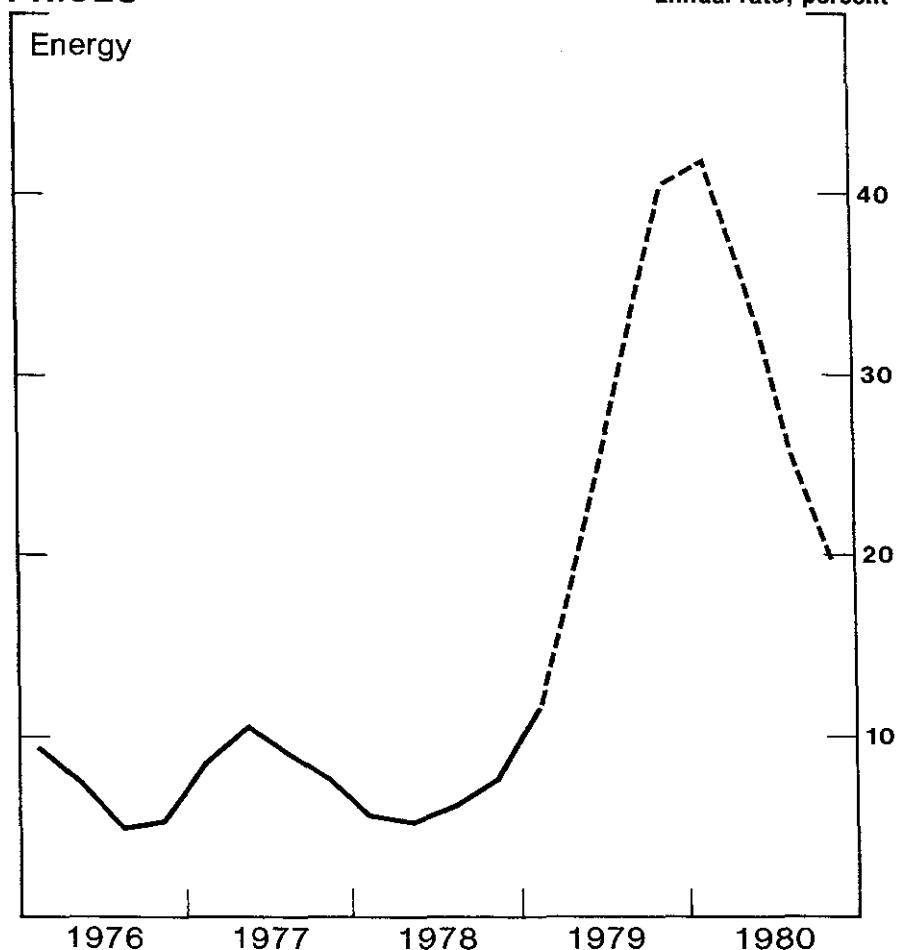


**UNIT COST INDICATORS**  
**Nonfarm Business Sector**

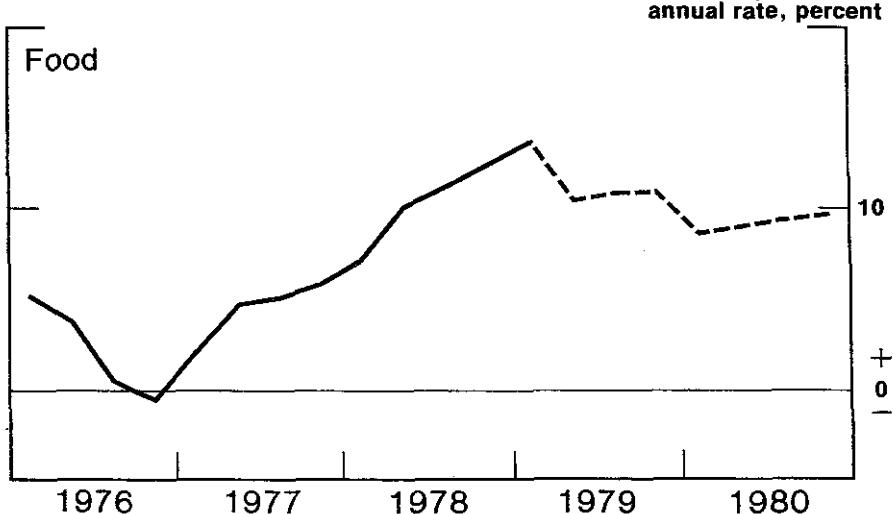
Change from year earlier,  
annual rate, per cent



## GROSS BUSINESS PRODUCT PRICES

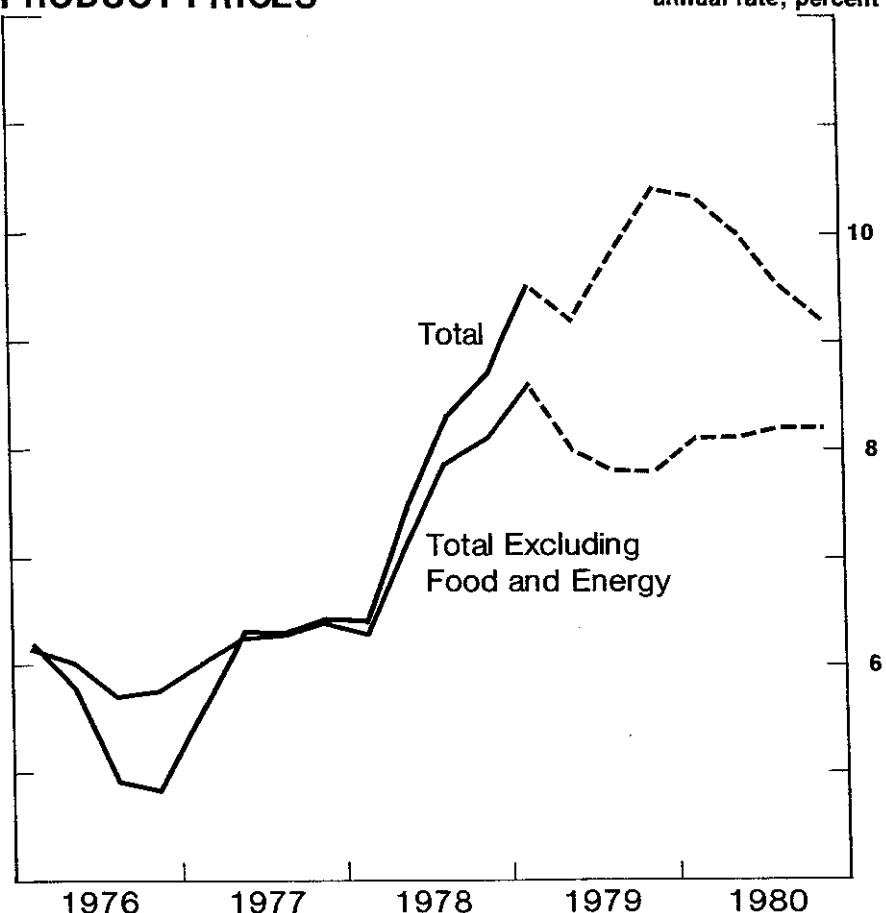


Food

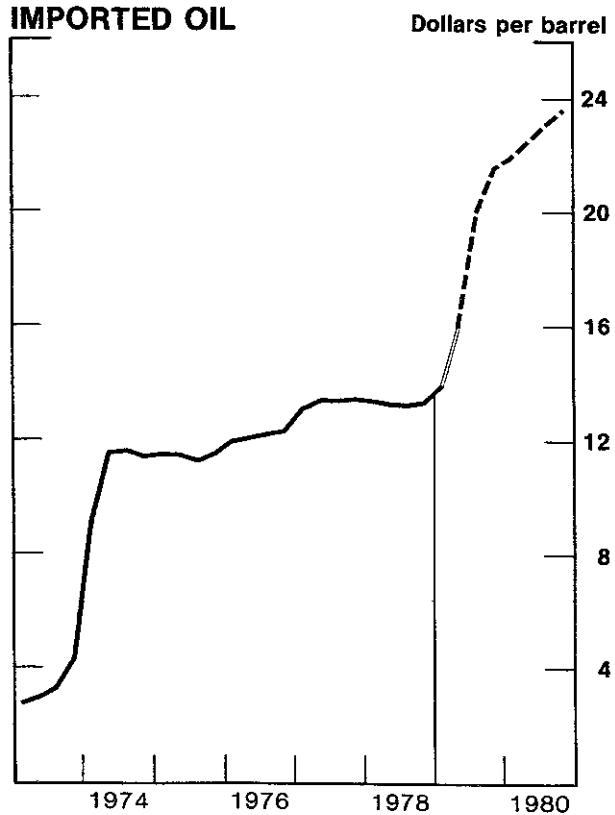


## GROSS BUSINESS PRODUCT PRICES

Change from year earlier,  
annual rate, percent

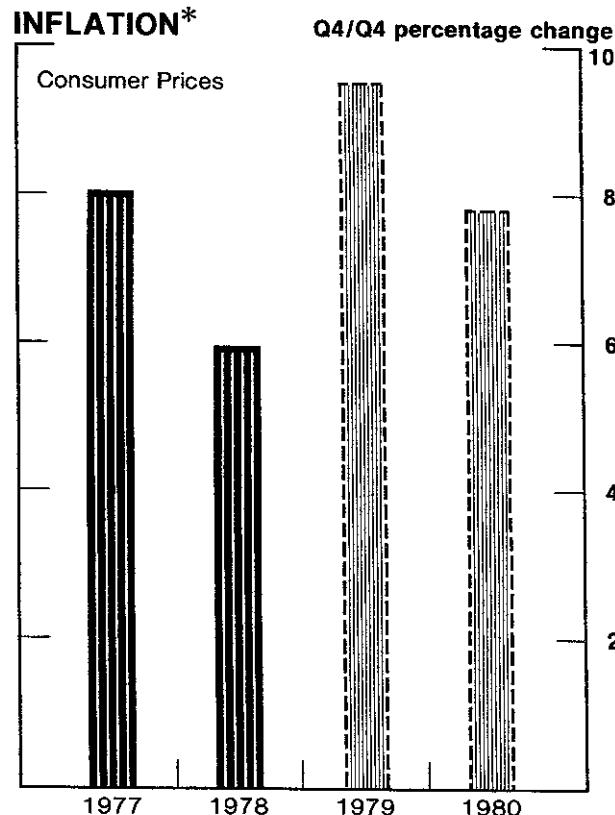


### AVERAGE PRICE OF IMPORTED OIL



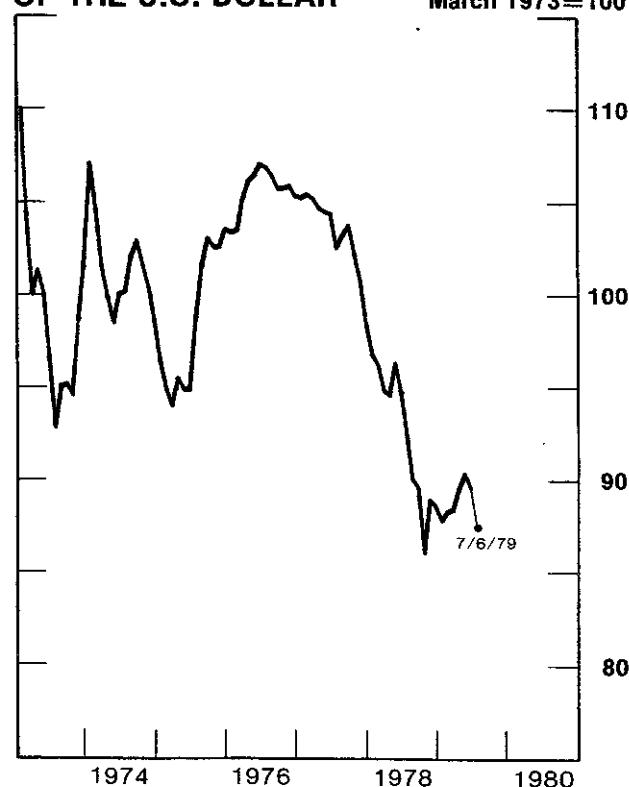
### FOREIGN INFLATION\*

Consumer Prices



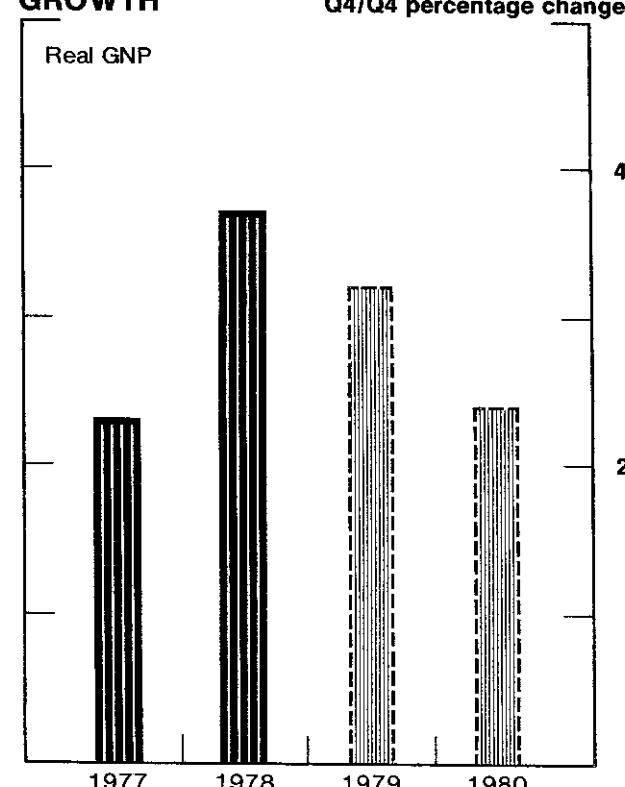
### WEIGHTED AVG. EXCHANGE VALUE OF THE U.S. DOLLAR\*

March 1973=100



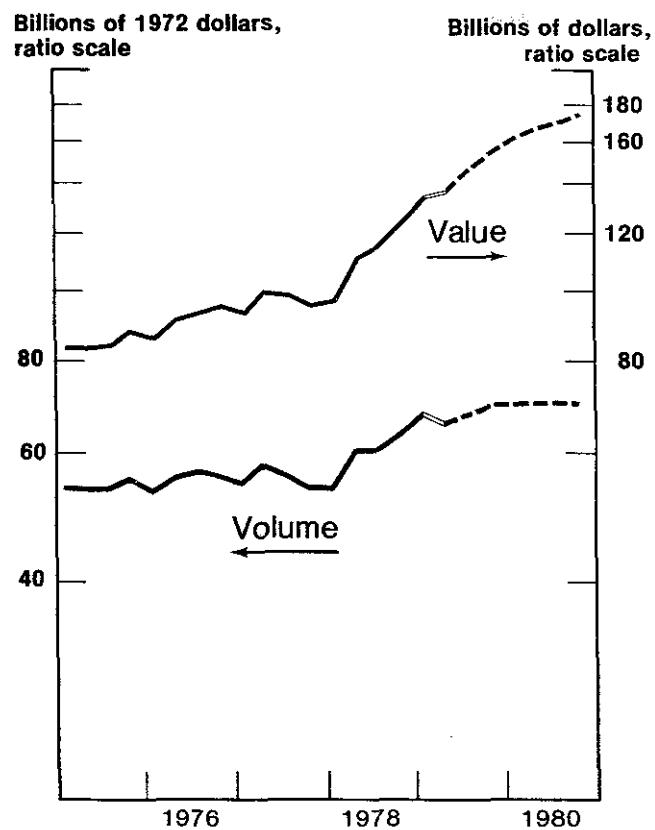
### FOREIGN GROWTH\*

Real GNP

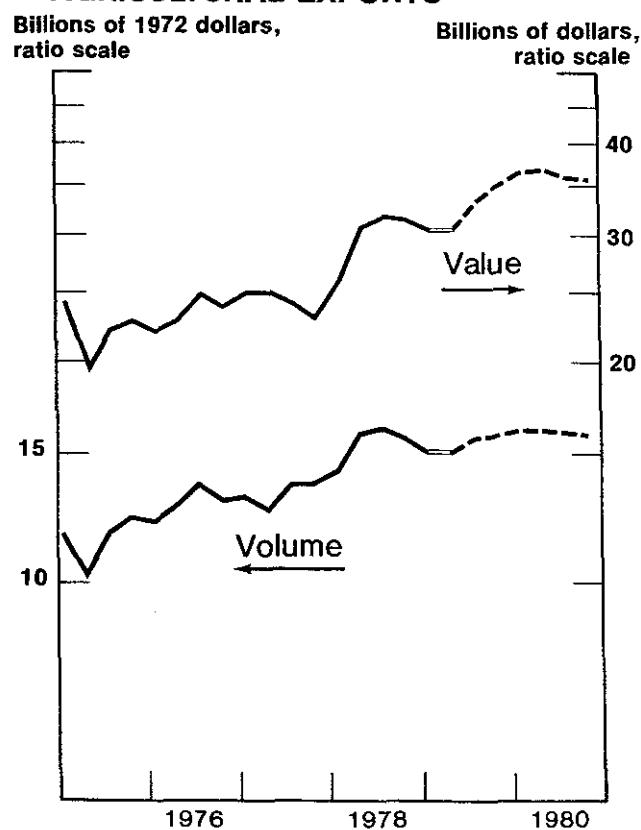


\* Average of G-10 countries plus Switzerland using total 1972-1976 average trade.

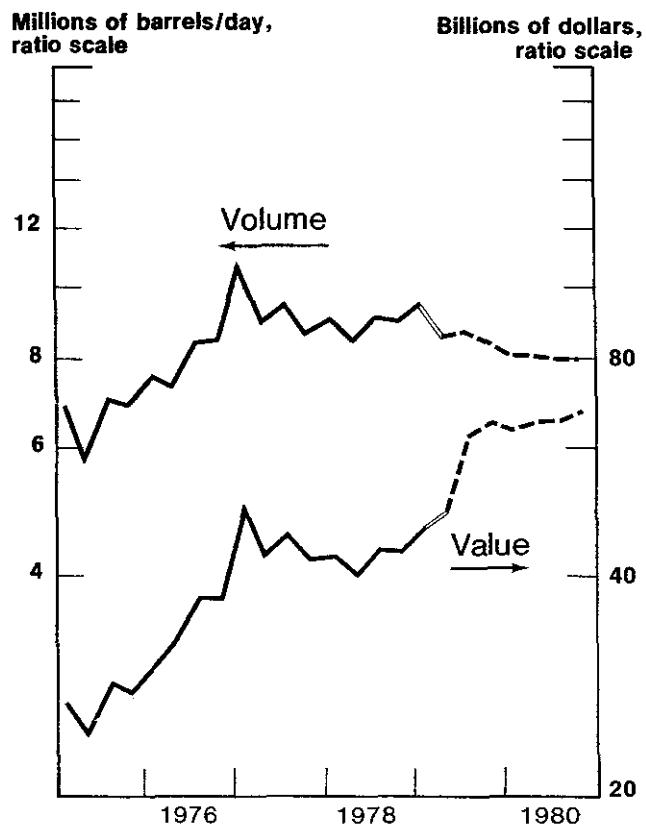
## U.S. MERCHANTISE TRADE NON-AGRICULTURAL EXPORTS



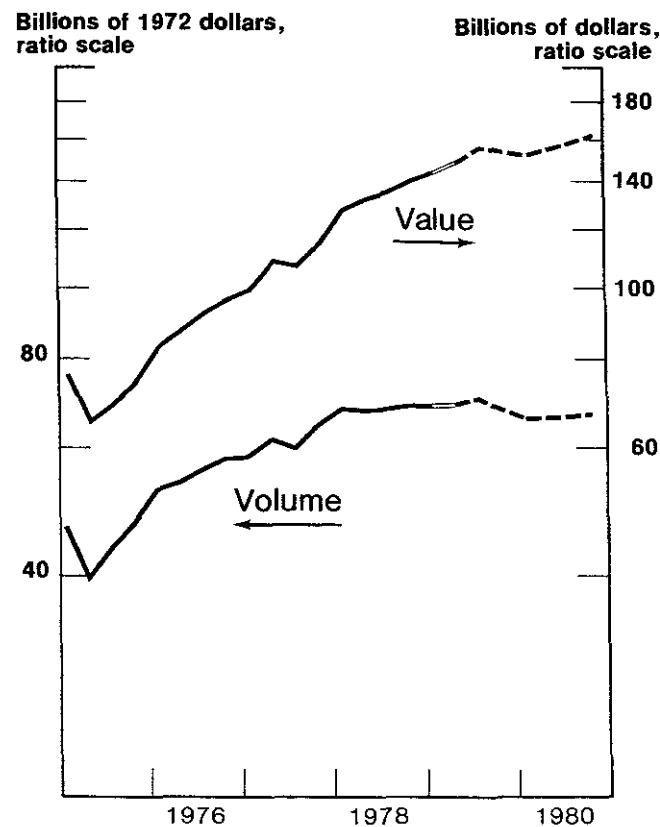
## AGRICULTURAL EXPORTS



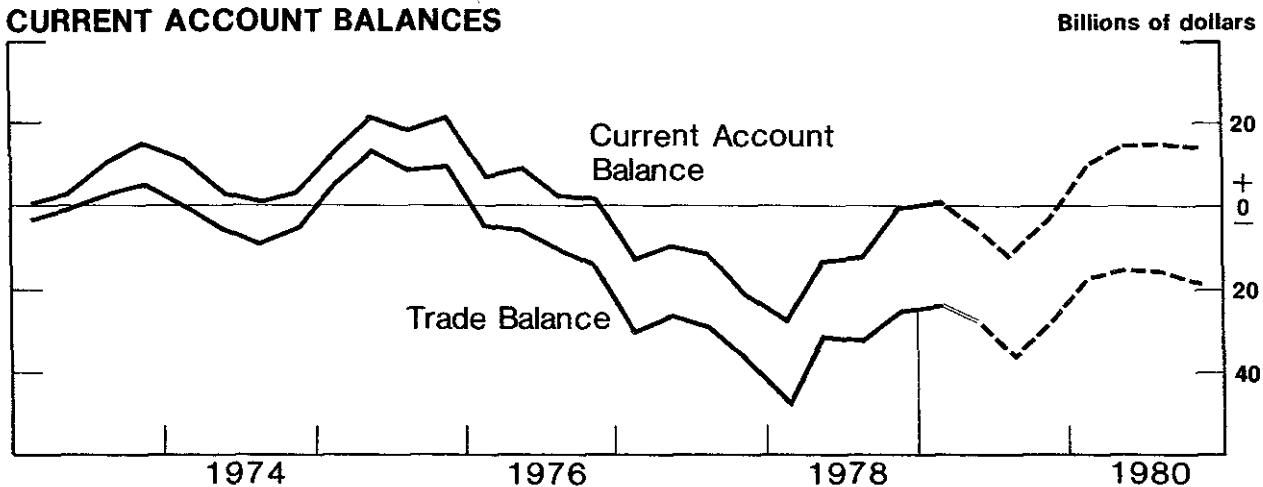
## OIL IMPORTS



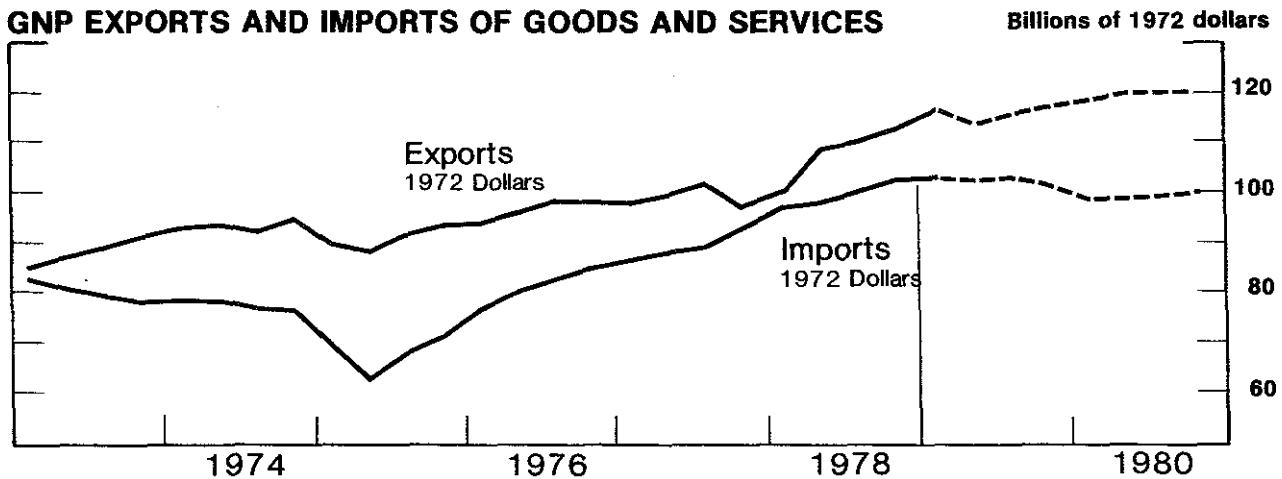
## NON-OIL IMPORTS



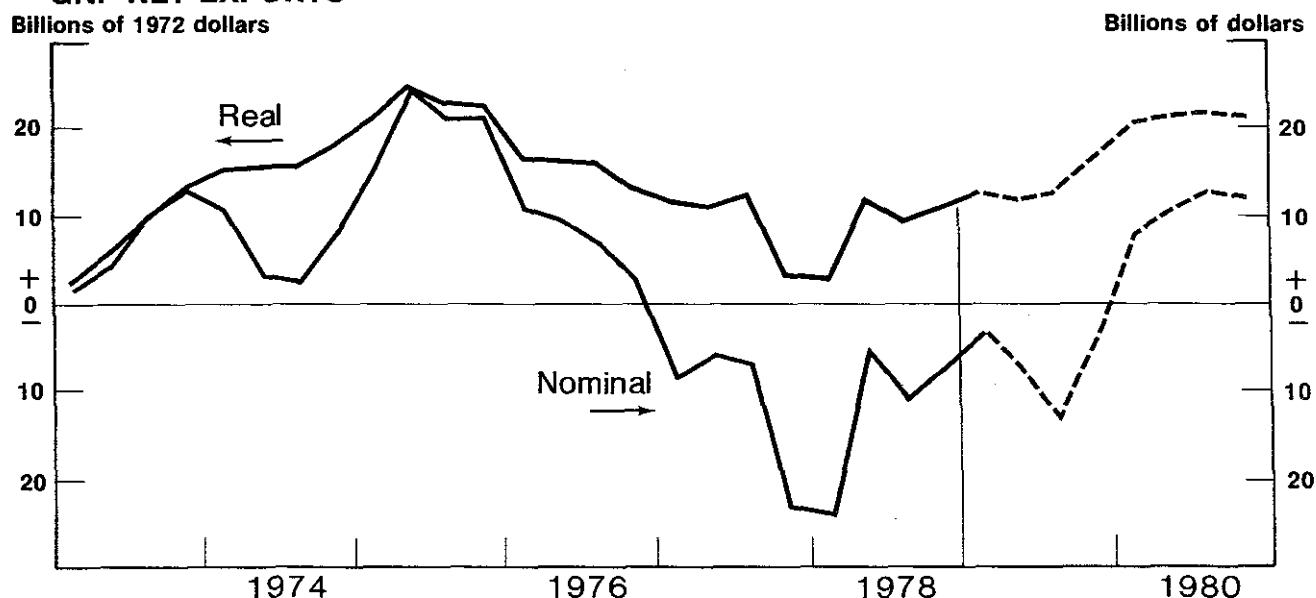
### MERCHANDISE TRADE AND CURRENT ACCOUNT BALANCES



### GNP EXPORTS AND IMPORTS OF GOODS AND SERVICES

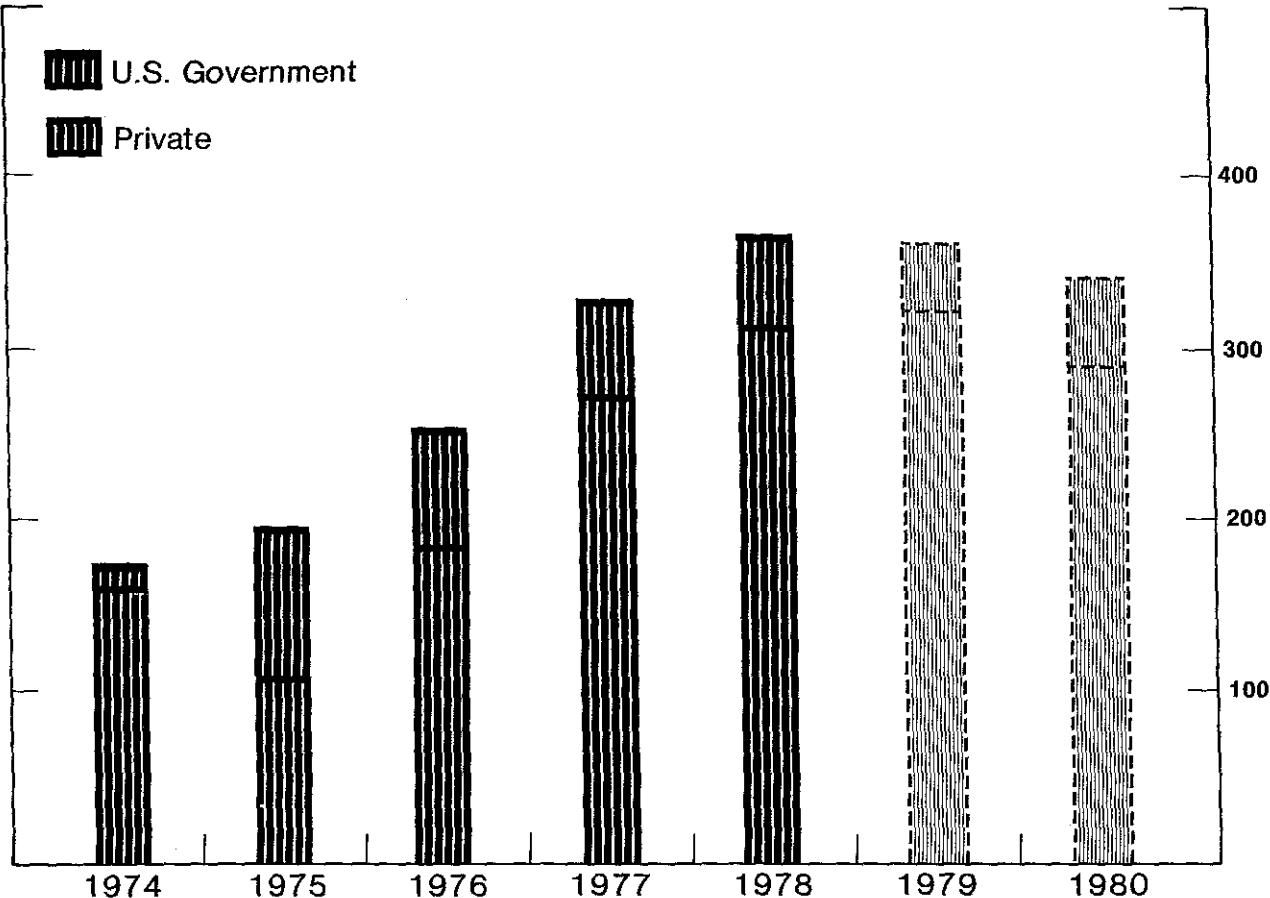


### GNP NET EXPORTS

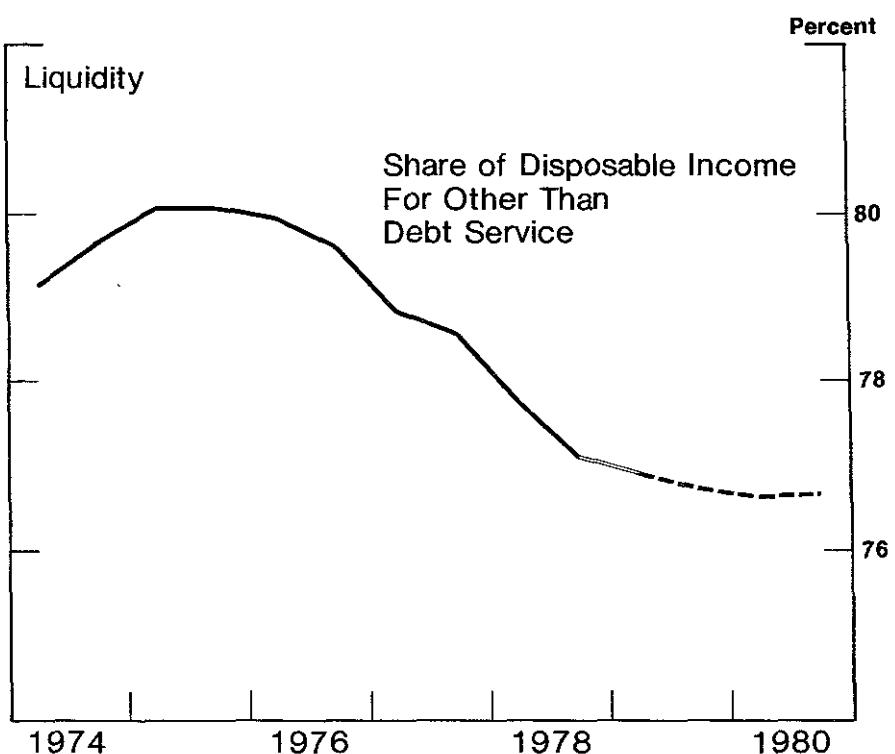
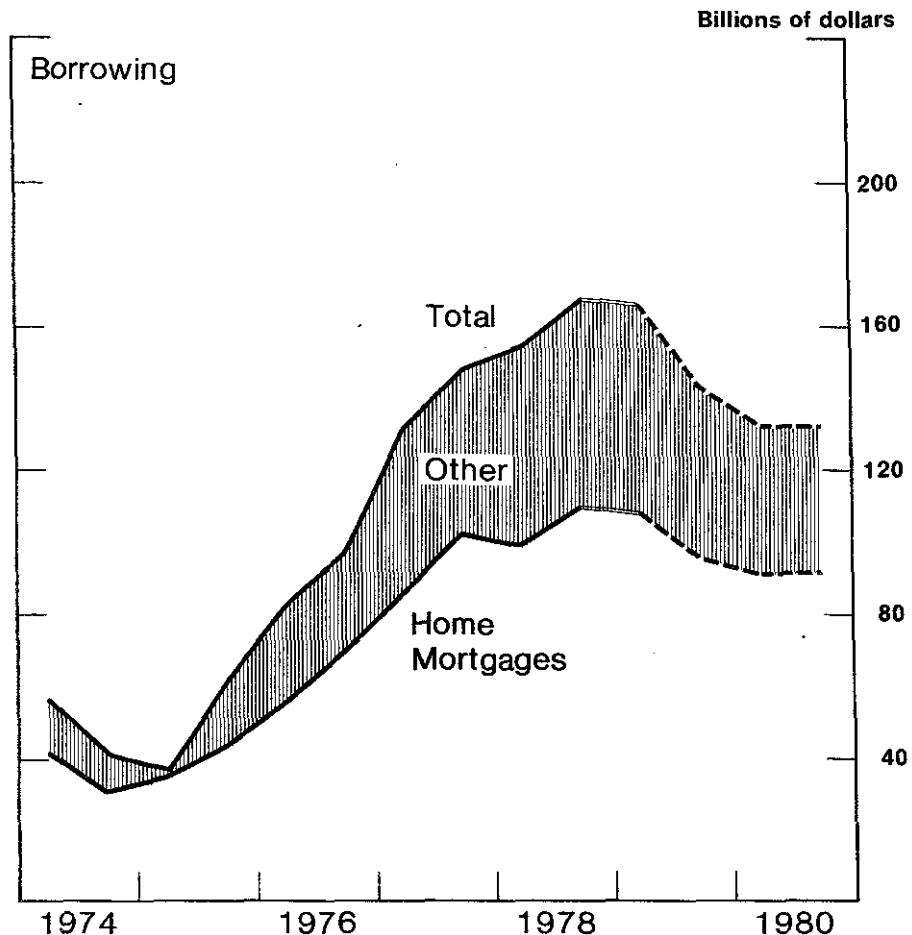


**FUNDS RAISED BY  
DOMESTIC NONFINANCIAL SECTORS**

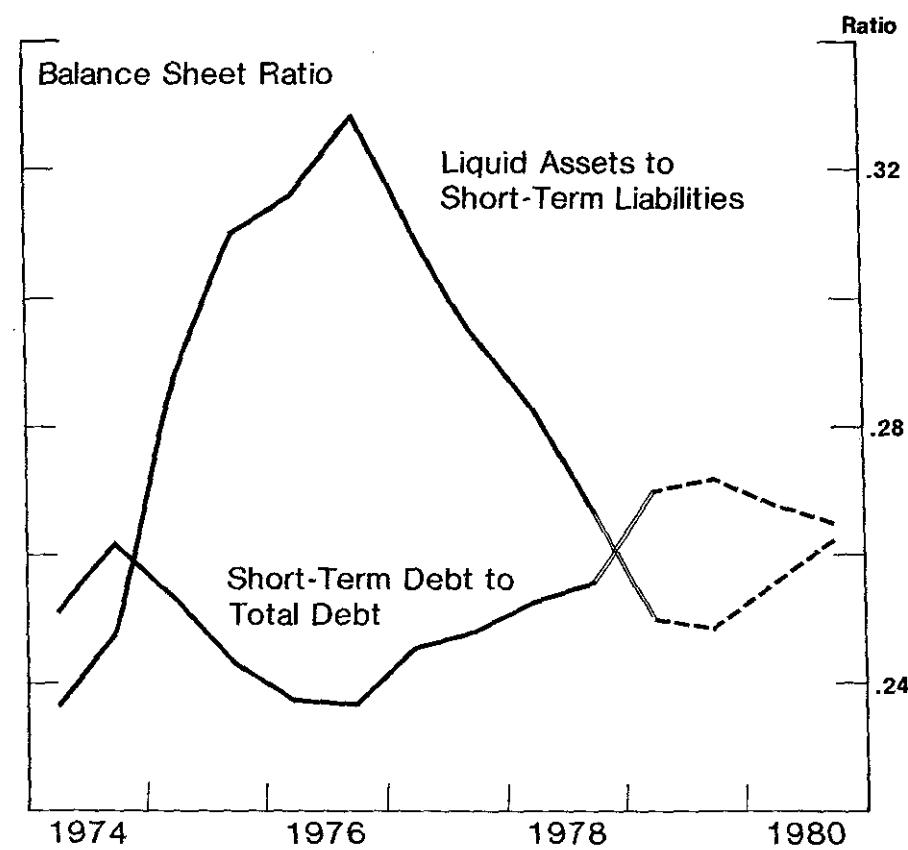
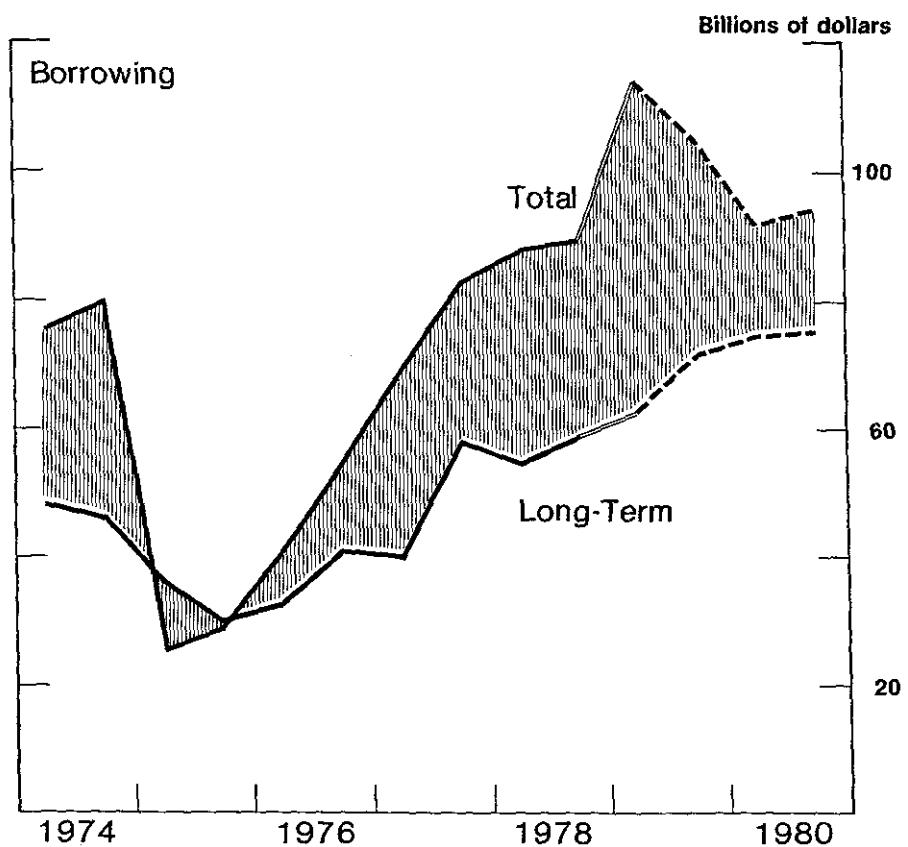
Billions of dollars



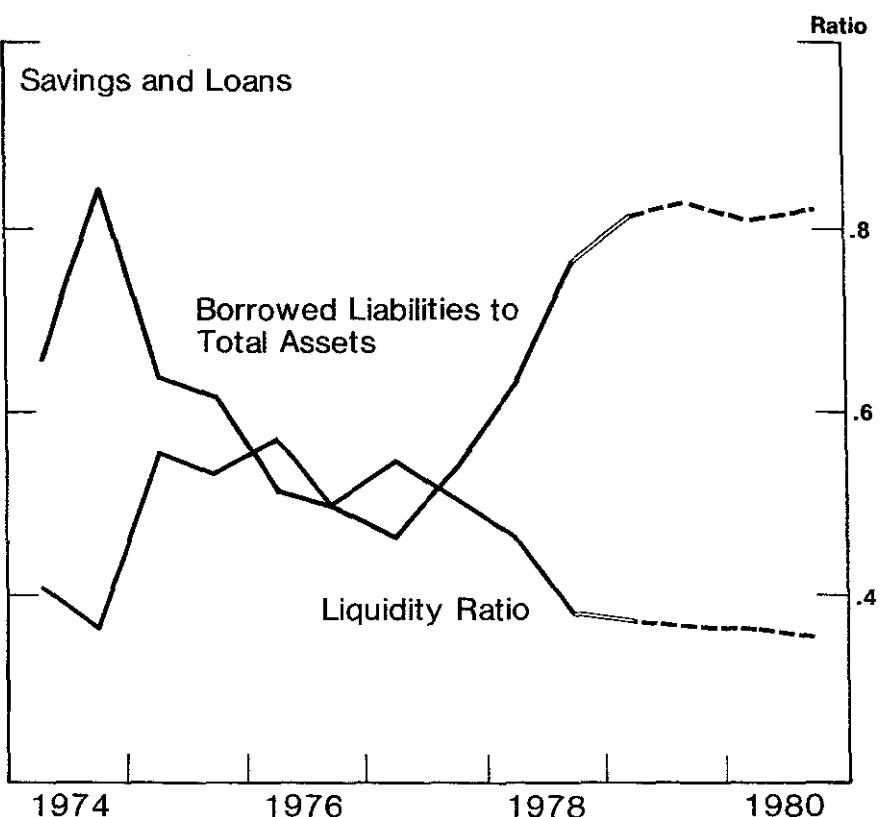
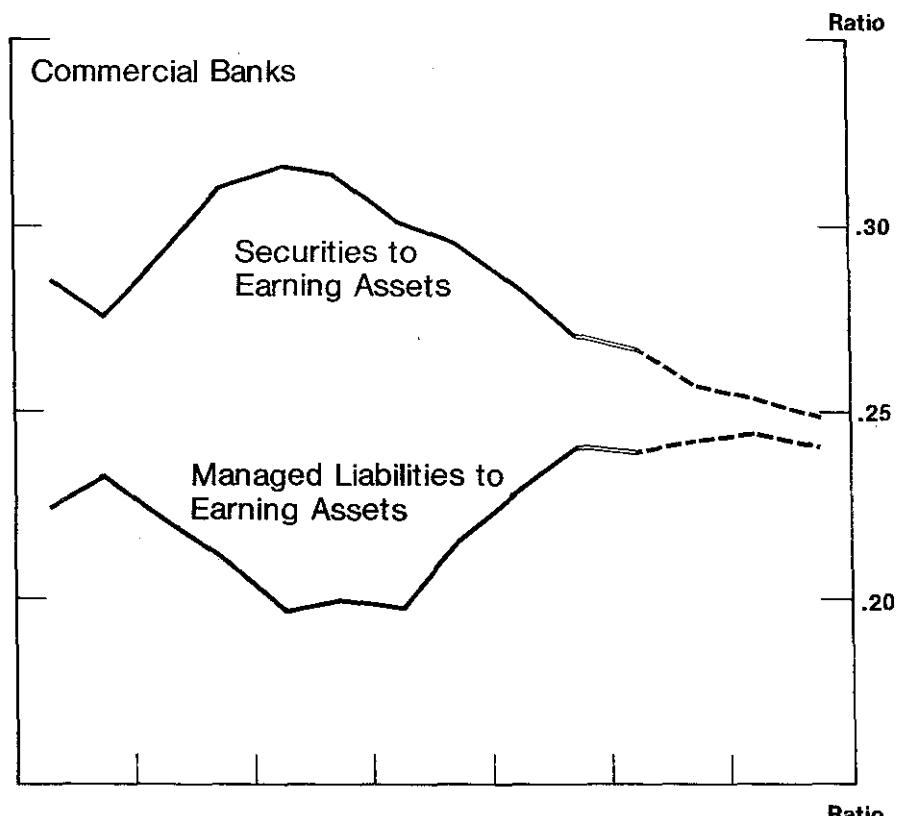
## HOUSEHOLDS



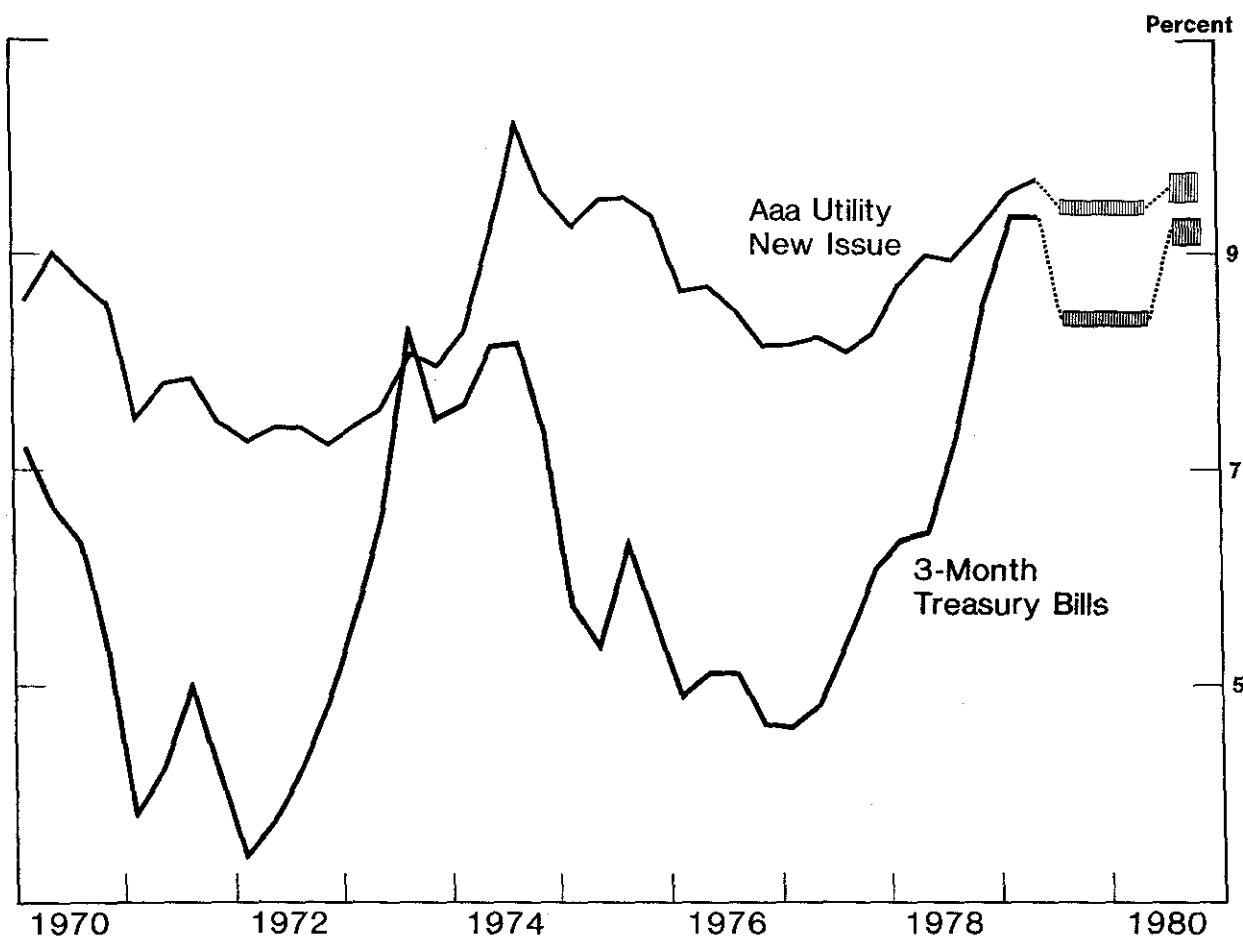
## CORPORATE FINANCE



## BALANCE SHEET RATIOS



## INTEREST RATES



## **MONETARY POLICY ALTERNATIVES<sup>1</sup>**

<b>REAL GNP (%)<sup>2</sup></b>	<b>1979</b>	<b>1980</b>	<b>1981</b>
5 per cent M-1	-1.5	0	0.5
6 per cent M-1	-1.3	0.8	1.4
7 per cent M-1	-1.1	1.3	2.5
<b>PRICES (%)<sup>2</sup></b>			
5 per cent M-1	9.5	8.8	8.7
6 per cent M-1	9.6	9.0	9.1
7 per cent M-1	9.6	9.1	9.5
<b>UNEMPLOYMENT RATE (%)<sup>3</sup></b>			
5 per cent M-1	6.9	8.3	9.6
6 per cent M-1	6.9	7.9	8.7
7 per cent M-1	6.8	7.6	8.0
<b>3 MONTH TREASURY BILL RATE (%)<sup>3</sup></b>			
5 per cent M-1	9½	10½	10¾
6 per cent M-1	8½	9½	9¾
7 per cent M-1	7¾	8½	8¾

<sup>1</sup> M1 growth rates equivalent to those in the absence of ATS.

<sup>2</sup> GNP implicit deflator measured from fourth quarter to fourth quarter.

<sup>3</sup> Level end quarter of each year.

Comparison of Staff and Administration  
Economic Forecasts

	1979		1980	
	<u>Staff</u>	<u>Administration</u>	<u>Staff</u>	<u>Administration</u>
Nominal GNP (percent change QIV to QIV)	8.2	9.2	9.8	10.3
Real GNP (percent change QIV to QIV)	-1.3	-0.5	0.8	2.0
GNP Implicit Deflator (percent change QIV to QIV)	9.6	9.8	9.0	8.1
Unemployment Rate (QIV, in percent)	6.9	6.6	7.9	6.9